

1-1 By: Hernandez Luna (Senate Sponsor - Garcia) H.B. No. 503
1-2 (In the Senate - Received from the House May 10, 2013;
1-3 May 10, 2013, read first time and referred to Committee on
1-4 Intergovernmental Relations; May 16, 2013, reported favorably by
1-5 the following vote: Yeas 5, Nays 0; May 16, 2013, sent to
1-6 printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8				
1-9	<u>Hinojosa</u>	X		
1-10	<u>Nichols</u>	X		
1-11	<u>Garcia</u>	X		
1-12	<u>Paxton</u>	X		
1-13	<u>Taylor</u>	X		

1-14 A BILL TO BE ENTITLED
1-15 AN ACT

1-16 relating to the ability of a property owners' association to
1-17 contract with an association board member or certain other persons
1-18 or entities associated with the board member.

1-19 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-20 SECTION 1. Section 209.002, Property Code, is amended by
1-21 adding Subdivision (4-a) to read as follows:

1-22 (4-a) "Development period" means a period stated in a
1-23 declaration during which a declarant reserves:

1-24 (A) a right to facilitate the development,
1-25 construction, and marketing of the subdivision; and

1-26 (B) a right to direct the size, shape, and
1-27 composition of the subdivision.

1-28 SECTION 2. Chapter 209, Property Code, is amended by adding
1-29 Section 209.0052 to read as follows:

1-30 Sec. 209.0052. ASSOCIATION CONTRACTS. (a) This section
1-31 does not apply to a contract entered into by an association during
1-32 the development period.

1-33 (b) An association may enter into an enforceable contract
1-34 with a current association board member, a person related to a
1-35 current association board member within the third degree by
1-36 consanguinity or affinity, as determined under Chapter 573,
1-37 Government Code, a company in which a current association board
1-38 member has a financial interest in at least 51 percent of profits,
1-39 or a company in which a person related to a current association
1-40 board member within the third degree by consanguinity or affinity,
1-41 as determined under Chapter 573, Government Code, has a financial
1-42 interest in at least 51 percent of profits only if the following
1-43 conditions are satisfied:

1-44 (1) the board member, relative, or company bids on the
1-45 proposed contract and the association has received at least two
1-46 other bids for the contract from persons not associated with the
1-47 board member, relative, or company, if reasonably available in the
1-48 community;

1-49 (2) the board member:

1-50 (A) is not given access to the other bids;

1-51 (B) does not participate in any board discussion
1-52 regarding the contract; and

1-53 (C) does not vote on the award of the contract;

1-54 (3) the material facts regarding the relationship or
1-55 interest with respect to the proposed contract are disclosed to or
1-56 known by the association board and the board, in good faith and with
1-57 ordinary care, authorizes the contract by an affirmative vote of
1-58 the majority of the board members who do not have an interest
1-59 governed by this subsection; and

1-60 (4) the association board certifies that the other
1-61 requirements of this subsection have been satisfied by a resolution

2-1 approved by an affirmative vote of the majority of the board members
2-2 who do not have an interest governed by this subsection.

2-3 SECTION 3. The change in law made by this Act applies only
2-4 to a contract entered into on or after the effective date of this
2-5 Act.

2-6 SECTION 4. This Act takes effect September 1, 2013.

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